

Legal Phases of Consumer Cooperation in Ohio

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THE STATE LEGISLATURE in 1923 passed the Cooperative Marketing Act (Sect. 10186-1-30 of the Ohio Code). This provides a legal framework for the incorporation and operation of cooperatives, made up of agricultural producers who are thus combining their efforts in marketing their farm products and buying their supplies. We have nearly 300 such farm groups in Ohio, many of them antedating the Law of 1923.

Recently, we have seen the formation of several cooperatives made up largely of city or village residents, endeavoring to improve the conditions under which they buy their household and other supplies. These city and village consumer groups cannot organize under the Cooperative Marketing Act, for it limits membership in its corporations to agricultural producers. The consumer group finds, in fact, no single unified body of law to govern its operations. It seemed desirable, therefore, to get together in convenient form the principal laws of interest to this group.

It is assumed that the prospective group has gone over the ground carefully to decide the wisdom of the venture. Is there need for the enterprise? What volume can be expected? How much capital is needed? Can it be secured, and how? What kind of competition is to be expected? Can economies or other advantages be anticipated? Will capable management be secured? These and many other questions should be asked and should be answered conservatively.

Incorporation Advisable for a Consumer Group

On deciding to go ahead with the venture, the first procedure should be to incorporate. Any group of persons who without incorporation enter upon any joint enterprise in the expectation of sharing costs, expenses, and profits or losses is assumed by the courts to be a partnership. The fact that no partnership agreement was drawn up is utterly immaterial; the law assumes from their actions that they are partners.

This means that in case of losses, debts, or bankruptcy of the enterprise, any creditor securing a recognition of his claims by a court does not have to collect from all the group; he can collect his whole claim from any one or two

of the group, leaving that one or two to get from the others if they can the shares of the claim which others should pay. That is, general partners are not merely "jointly liable," but "severally liable" for the debts of the partnership; which means that the entire indebtedness can be collected from any one or few who happen to be financially responsible.

This avoidance of partnership liability is not the only reason for incorporation. In a partnership every change of membership creates a new partnership; in a corporation, any or every member may die or sell his interest in the corporation, and the corporation still goes on, legally unchanged. This convenience of transfer of interest is another of the great advantages of the corporation.

General Code Gives Authority to Incorporate

When the consumer group, made up at least in part of city or village members, looks for authority to incorporate, it finds it in two remaining sections of a longer act, passed originally in 1867. These two sections appear now as Sections 10185 and 10186 of the General Code and read as follows:

10185. *Cooperative trade associations.*—An association incorporated for the purpose of purchasing, in quantity, grain, goods, groceries, fruits, vegetables, provisions, or any other articles of merchandise, and distributing them to consumers at the actual cost and expense of purchasing, holding, and distribution, may employ its capital and means in the purchase of such articles of merchandise as it deems best for itself, and in the purchase or lease of such real and personal estate, subject always to the control of the stockholders, as are necessary or convenient for purposes connected with and pertaining to its business.

10186. *Distribution of purchases.*—Such association may adopt such plan of distribution of its purchases among the stockholders and others as is most convenient, and the best adapted to secure the ends proposed by the organization. Profits arising from the business may be divided among the stockholders from time to time, as it deems expedient, in proportion to the several amounts of their respective purchases.

Thus a consumer's cooperative takes out its incorporation papers under these two sections. These sections, however, do not provide any guide to legal procedure, so for that we must go to the general corporation law. As consumers' cooperatives set out to be non-profit organizations and must be such under 10185-86, they fall under those sections dealing with corporations not for profit. (Sect. 8623-97-117.)

We present the paragraphs under this heading in their entirety except for the omission of certain parts with little or no application to the subject in hand (see pages 3 to 7). The places where the omissions occur are indicated thus (). The points of most general interest are these:

Excerpts from Law on Organizing a Corporation

1. What should be included in the Articles of Incorporation is provided in Paragraph 98, page 3. We suggest that the Articles be short, and limited to what the law requires. A form of articles is suggested on page 8.

2. Each corporation needs also a set of by-laws or code of regulations. Paragraph 101 (page 4) indicates the principal provisions to be included. This bulletin closes with a suggested code to be used by any group as a basis for discussion (pages 9 to 12).

3. While Sect. 10186 refers to "stockholders," paragraph 102 below makes it extremely doubtful whether these cooperatives can legally issue capital stock. Those recently organized are all membership associations.

4. Every member shall be entitled to one vote, and no member may vote by proxy unless the association's own by-laws provide for proxy voting (Paragraph 104).

5. A non-profit association may become a member of another similar association (99 and 103).

6. Members and trustees are not responsible as individuals for the debts of the association (110).

7. The powers of the association are indicated in No. 99.

8. Amendments to the articles of incorporation may be adopted by a majority vote at any meeting where a quorum is present (113).

9. A quorum at the first organization meeting must be a majority of the subscribers (100), but the regulations may provide a different percentage for later meetings (101).

LAWS CONCERNING CORPORATIONS NOT FOR PROFIT

Sec. 8623-97. Corporation not for profit: purposes.

A corporation not for profit may be formed hereunder for any purpose or purposes not involving pecuniary gain or profit for which natural persons may lawfully associate themselves, provided that where the General Code makes special provision for the filing of articles of incorporation of designated classes of corporations not for profit, such corporations shall be formed under such provisions and not hereunder.

Sec. 8623-98. Articles of incorporation; contents.

Any number of persons, not less than three, a majority of whom are citizens of the United States, may become a corporation not for profit by subscribing, acknowledging and filing in the office of the secretary of state articles of incorporation, hereinafter called "articles," setting forth:

1. The name of the corporation;
2. The place in this state where the principal office of the corporation is to be located;
3. The purpose or purposes for which it is formed;
4. The names and postoffice addresses of its trustees, not less than three, who are to serve until the first annual meeting or other meeting called to elect trustees;
5. If desired, the names of any persons who, together with the subscribers to the articles, are to be members of the corporation upon organization;
6. If desired, any qualifications for membership in such corporation;
7. Any lawful provision which may be desired for the purpose of defining, limiting or regulating the exercise of the powers of the corporation, and of the trustees and of the members, or of any class of members, and for the purpose of creating or defining rights and privileges of the members among themselves. Any provision authorized to be made in the regulations of such corporation may, if desired, be included in its articles.

Sec. 8623-99. Corporate existence and authority.

Upon filing the articles the incorporators and the other members, if any, designated in the articles, and their successors and assigns, shall, from the date of such filing, be and constitute a body corporate, with perpetual succession and with capacity possessed by natural persons to perform all acts within or without this state not repugnant to law; and in furtherance, but not in limitation, of the foregoing every such corporation shall have authority:

1. To sue and be sued, contract and be contracted with;
2. To adopt, use and at will alter a common seal, but failure to affix a seal shall not affect the validity of any instrument;
3. To acquire, hold, convey, lease, mortgage or dispose of all property, real or personal, necessary or expedient to accomplish its purposes;
4. To borrow money and contract debts to accomplish its purposes;
5. To become an incorporator or member of any other corporation not for profit organized under the laws of this state.

Sec. 8623-100. First meeting of members; quorum.

When such articles shall have been filed, the subscribers thereto, or a majority of them, shall give to each member at least ten days' notice by mail, unless such notice be waived by all the members, to meet at such time and place as the notice designates for the purpose of adopting a code of regulations which may be called a constitution, and transacting any other business. A majority of the subscribers to the articles, whether constituting a majority of all of the members or otherwise, shall constitute a quorum at such meeting.

Sec. 8623-101. Code of regulations; provisions.

Such corporation may adopt and change from time to time a code of regulations for its own government which shall be consistent with its articles and the laws of this state, and in particular (without prejudice to the generality of such authority) may include provisions in respect to:

1. The time and manner of calling and conducting annual or special meetings;
2. The place of holding such special meeting;
3. The requirements of a quorum which may be greater or less than a majority of the members;
4. The admission, voluntary withdrawal, censure, suspension and expulsion of members;
5. The fees and dues of members and the termination of membership on non-payment thereof, or otherwise;
6. The number, time, and manner of choosing qualifications, terms of office, official designations, powers, duties, and compensation of its trustees and officers;
7. The appointment of executive or other committees of the trustees;
8. The qualification of members and the specification of their relative rights or interests in the property of the corporation;
9. The method of changing such regulations; and
10. Any provision which may be desired for the purpose of regulating the exercise of powers of the corporation and of the trustees and of the members or of any class of members, and for the purpose of creating or defining rights and privileges of the members among themselves.

Sec. 8623-102. Membership records.

The corporation shall keep a membership book containing the name and address of each member, and the date of admission to membership

A corporation not for profit hereafter organized shall not issue certificates for shares to evidence interest in its property or otherwise.

Membership may be terminated in the manner provided in the regulations, and upon the termination of any membership for any cause, such fact shall be recorded in the membership book, together with the date on which the membership ceased..

Sec. 8623-103. Property rights of members.

Unless otherwise provided by the articles or the regulations, all the rights of a member in the corporation, or its property, shall cease on the termination of his membership.

Corporations and partnerships may, if permitted by the regulations, become members of corporations not for profit.

Sec. 8623-104. Voting by members; proxy.

Unless otherwise provided by law, by the articles, or by the regulations, every member of a corporation not for profit shall be entitled to one vote.

Unless otherwise provided in the articles or regulations, no member shall vote or act by proxy.

Sec. 8623-105. (Has to do with choice of delegates from a large area association).

Sec. 8623-106. Trustees; qualifications and terms of office.

The corporate powers, property, and affairs of every corporation not for profit, subject to limitations contained in the General Code, the articles or regulations, shall be exercised, conducted, and controlled by a board of not less than three trustees, each of whom shall be a member of the corporation, and at least one of whom shall be a citizen of the state of Ohio. The articles or regulations may provide the tenure of office of the trustees thereof, except that no term shall exceed in number of years the number of its trustees . . .

Unless otherwise provided in the articles or regulations, any vacancy in such boards of trustees caused by death, resignation, or otherwise shall be filled by the remaining members thereof.

Sec. 8623-107. Trustees may adopt by-laws.

The trustees of a corporation not for profit may adopt a code of by-laws for their own government, consistent with the articles and the regulations.

Sec. 8623-108-109, and III omitted.

Sec. 8623-110. Liability of members and trustees.

Neither the members nor the trustees of a corporation not for profit shall be personally liable for any debt or obligation of a corporation not for profit.

Sec. 8623-112. Property acquired by corporations.

All property, real or personal, acquired by a corporation not for profit, by purchase, gift or otherwise, shall be the absolute property of such corporation, unless at the time of acquiring such property it be otherwise in writing specified.

Sec. 8623-113. Amendments; procedure.

A corporation not for profit may amend its articles in any respect; provided, however, that only such provision shall be inserted or omitted by amendment as it would be lawful to insert or omit, as the case may be, in original articles made at the time of making such amendment; and provided further, the purpose or purposes for which the corporation was formed shall not be substantially changed. Such amendment shall be adopted at a meeting of the members by the affirmative vote of a majority of the members present thereat, if the members present constitute a quorum as specified in the regulations, unless the regulations require the vote of a greater or lesser number of members. Upon the adoption thereof, the president or a vice-president and the secretary or an assistant secretary shall execute and sign a certificate containing a copy of the resolution of amendment, which shall be filed in the office of the secretary of state, whereupon the articles shall be deemed to be amended.

Sec. 8623-114. Dissolution and consolidation.

A corporation not for profit may be dissolved or consolidated in the same manner, so far as applicable, as corporations for profit (Sec. 8623-15a).

Sec. 8623-115. Disposition of assets.

Unless otherwise provided in the articles or regulations of a corporation not for profit, it shall not sell, lease, mortgage or dispose of any real property owned by it or its entire assets except when authorized by a vote of a majority of the members present at a meeting called for such purpose if constituting a quorum according to the regulations.

Sec. 8623-116. Notice of meetings.

All meetings of members of corporations not for profit shall be called upon such notice as may be specified in the regulations.

Sec. 8623-117. Certified copy of articles prima facie evidence.

A copy of the articles filed in the office of the secretary of state certified by the secretary of state shall be prima facie evidence of the existence of the corporation named therein; and a copy duly certified by the secretary of state of any certificate of amendment or other certificate filed in his office shall be prima facie evidence of such amendment or of the facts or actions stated in any such certificate and of the observance and performance of all antecedent acts and conditions necessary to the action which such certificate purports to evidence.

In addition to the clauses relating specifically to Corporations not for Profit, certain other sections of the General Corporation law are of importance.

1. Accounting profits of a consumers' cooperative are distributed as patronage dividends, and are subject to Sect. 8623-38 a, b, c, as presented below:

(a) A corporation may declare dividends payable in cash, shares, or other property out of the excess of the aggregate of its assets less the deductions hereinafter required over the aggregate of its liabilities plus stated capital.

(b) In computing the excess of the assets, deduction shall be made for depletion, depreciation, losses, and bad debts.

(c) No corporation shall declare or pay a dividend in cash or other property when there is reasonable ground for believing that it is unable or, by payment of dividend, may be rendered unable to satisfy its obligations and liabilities.

(If any board of trustees is at all doubtful as to the legality of declaration of a given dividend, they should read all of following paragraphs of Sect. 8623: 38 a to f, 123b, 124)

2. Agent for service of process.

Sec. 8623-129. Agent for service of process: Secretary of State as agent.

The incorporators, or a majority of them, of every corporation hereafter incorporated under this act shall file in the office of the secretary of state, with the articles of such corporation, a written appointment, in such form as the secretary of state may prescribe, of an agent of such corporation upon whom process, tax notices or demands against such corporation may be served, and said appointment shall continue until such agent shall die, or his appointment shall be revoked by such corporation.

All articles of incorporation filed must be accompanied by following Designation of Agent

Original Appointment of Agent

KNOW ALL MEN BY THESE PRESENTS, That.....
Name of Agent
of....., in County,
Street or Avenue City or Town
Ohio, a natural person and resident of said county, being the county in which
the principal office of is located, is hereby
Name of Corporation
appointed as the person on whom process, tax notices and demands against said
..... may be served.
Name of Corporation

[SEAL]

Name of Corporation

Incorporators

(To be executed by all or a majority of the incorporators at
the time of organization.)

....., Ohio,, A.D. 19.....

Name of Corporation

Gentlemen: I hereby accept the appointment as the representative of your
company upon whom process, tax notices, or demands may be served.

Agent.

STATE OF OHIO,

County of....., ss.:

Personally appeared before me, the undersigned, a Notary Public in and
for said County, this day of, A.D. 19,
the above named who acknowledged

Name of Agent

the signing of the foregoing to be his free act and deed for the uses and purposes
therein mentioned.

WITNESS my hand and official seal on the day and year last aforesaid.

Notary Public in and for

..... County, Ohio.

Articles of Incorporation of Consumers' Cooperative, Inc.

The undersigned, a majority of whom are citizens of the United States, desiring to form a corporation not for profit under Sections 10185 and 10186 of the General Code of Ohio, do hereby certify:

First, The name of this corporation shall be "..... Consumers Cooperative, Inc."

Second, The place in the State of Ohio where its principal office is to be located is County.

Third, The purpose or purposes for which it is formed are: The purchasing in quantity of goods, services, groceries, fruits, vegetables, provisions, coal, oil, gasoline, and other articles of merchandise, and distributing them to consumers at the actual cost and expense of purchasing, holding, and distribution, and the doing of all things incident and necessary thereto including the acquisition or lease of real or personal property necessary or convenient for the purposes connected with and pertaining to its business.

Fourth, The following persons shall serve said corporation as trustees until the first annual meeting or other meeting called to elect trustees—
(Not fewer than three)

Fifth, The rights and interests of each member of this corporation shall be equal. Each member shall be entitled to only one vote in the meetings of the corporation. The President and Secretary of the corporation shall cause a membership certificate to be issued to each member upon the payment of a membership fee of the amount provided in the regulations. Savings arising from the business may be distributed to the members only upon the basis of their patronage as provided in the Code of Regulations.

Sixth, The Board of Trustees shall have power to borrow money for the purpose of conducting the business of the corporation and shall have the power to issue certificates of indebtedness for money so borrowed. Such certificates of indebtedness shall bear interest at not to exceed six per cent (6%) per annum. Upon liquidation of this corporation, after the payment of general creditors and certificates of indebtedness and interest thereon, if any, any funds remaining shall be distributed to the members pro rata as repayment of the membership fees.

Seventh, The stated capital of this corporation at the time of filing these articles is \$.....

IN WITNESS WHEREOF, we have hereunto subscribed our names this day of, 19.....

.....
.....
(Notarial acknowledgment)

The Articles of Incorporation, after being signed and acknowledged before a Notary, should be mailed to the Secretary of State, Columbus, accompanied by a filing fee of \$25.00.

Amendments also require a filing fee of \$25.00.

Code of Regulations of Consumers' Cooperative, Inc.

ARTICLE I. IDENTITY OF THE CORPORATION

Section 1. Name. The name of this corporation shall be The Consumers' Cooperative, Inc.

Section 2. Place of Business. The place of business of the corporation shall be located in the city of County (and in such other cities, villages or townships as the Board of Trustees shall determine)¹

ARTICLE II. PURPOSE OF THE CORPORATION

The purpose of this corporation shall be to buy, store, distribute, sell or handle, process, and/or produce for its members and other patrons petroleum products, fuel, foodstuffs, clothing, and/or merchandise of any other kind; to perform such other services as the members may desire; to acquire either by purchase or lease real estate and other properties or facilities necessary or desirable to its work; to mortgage, sell, or convey such properties; to borrow money as needed in its operations; to associate itself with other consumers' cooperative organizations by contract, by accepting them as members in this organization, or by holding membership or shares of capital stock in such organizations.

ARTICLE III. MEMBERSHIP

Section 1. Membership shall be open to all consumers who are in agreement with the aims and purposes of the corporation. The member may be either a natural person more than 18 years of age, or a cooperative society whose aims or purposes are similar to those of this corporation.

Section 2. How Membership is Secured. Application for membership shall be made to the Board of Trustees in writing in such form as the Board may prescribe. The Board may elect or reject any applicant. Each application shall be accompanied by the membership fee or a payment of at least one dollar toward it.

Section 3. Membership Fee. The membership fee of this association shall be five dollars, which shall be regarded as permanent capital of the association, not subject to refund or withdrawal.

Section 4. Duties of Members. Every member must agree to obey the rules of the corporation as set down in these regulations or elsewhere, and the decisions of the meetings of the members or of the Board of Trustees. He must also help to promote the aims and purposes of the corporation, the success of its business, and the welfare of its members.

Section 5. Expulsion from Membership. The Board of Trustees shall at all times have the right to cancel the membership of any member for failure to patronize the corporation or for conduct inimical to its best interests; Provided, that said member shall be given opportunity to appear in his own defense before the next regular or special meeting of the members at which the action of the Board may be set aside by a three-fifths vote of the membership present.

Note 1: Seldom occasion to use the wording included in the parentheses.

Section 6. Rights of Retiring Members.

a. In case of the death of a member or the removal of a member from the community, the Board of Trustees upon application therefor shall within one year from receipt of the application take up all certificates of indebtedness of the member, paying their par value plus interest to date of retirement, and shall also pay any patronage dividends set up to the credit of the member.

b. Under all other circumstances, the Board of Trustees shall have full power to act upon the application of a member for retirement from the organization. .

ARTICLE IV. FUNDS OF THE ASSOCIATION

The funds of this association shall consist of

- a. The membership fees paid by the members for entrance into the association.
- b. The receipts from the sale of certificates of indebtedness. Such certificates of indebtedness may be issued in one or more forms as prescribed by the Board of Trustees.
- c. The reserves set up for general contingencies or for any specific purpose.
- d. The undivided profits arising from operations of the association.
- e. In addition, such of the net earnings as have been assigned to patrons in patronage dividend, but are represented by certificates of indebtedness issued or credits set up in favor of members.

ARTICLE V. EARNINGS AND THEIR DISTRIBUTION

Section 1. Fiscal Year. This fiscal year of the corporation shall be the calendar year from January 1 to December 31.

Section 2. Net Earnings. From the gross income made up of gross trading margin on goods handled, income from services performed, and miscellaneous income, shall be deducted all costs of operation including all losses, interest on borrowed funds and certificates of indebtedness and a reasonable reserve for depreciation of plant and equipment and any other property of the corporation. The remainder is net earnings.

Section 3. Distribution of Net Earnings. From the net earnings of any year there shall be set aside:

a. An educational fund of not less than (5%)² of the net earnings; such fund to be placed in the hands of the educational committee to be used for purposes of education among members and the public.

b. A reserve for contingencies of not less than (5%) of the net earnings. To the reserve thus set up shall be added any fines collected, contributions from individuals, confiscated fees of members, and any other funds appropriated to it by action of the Board of Trustees or of meetings of the members. The Board shall continue to set aside this contingency reserve as provided above until the appropriated reserve shall reach an amount equal to (25%) of the total membership fees collected.

c. All remaining net earnings shall be carried to surplus.

Section 4. Patronage dividends. The Board of Trustees may from time to time, as is deemed expedient, declare a patronage dividend out of surplus. Such dividend shall be credited to each patron's dividend account, but may be paid out only to fully paid up members. If a patron does not become a member within one year from the time a

Note 2: The percentages indicated are those appearing in the Regulations of the Columbus association; each group should decide the percentages for itself.

dividend is declared, the Board of Trustees may transfer his patronage dividend credits to the education fund.

ARTICLE VI. PRICE POLICY

Section 1. It shall be the policy of this organization to supply goods to the members and others at the prices prevailing in the profit business of the neighborhood or with which the corporation competes.

ARTICLE VII. MEETINGS OF THE MEMBERS

Section 1. Regular Meetings. The regular meetings of the members shall be held at 8 o'clock P.M. on the fourth Thursday of January, April, July and October, at such place as the Board of Trustees shall designate. The regular January meeting shall be the annual meeting of the corporation.

Section 2. Annual Meeting. At the annual meeting the Officers shall present the audit of the business of the preceding fiscal year, a report of the changes in membership during the same period, and any recommendations from the Board of Trustees for the consideration of the members. The election of trustees to succeed those whose terms expire shall also be held or completed. Any business of the annual meeting which is not disposed of at that time may be completed at any subsequent meeting. (At least sixty days prior to each annual meeting the president shall appoint a nominating committee of three members who shall nominate at a special meeting of the members to be held during the third week in December one member for each vacancy to be filled at the annual meeting. After the presentation of the report of the nominating committee, additional nominations may be made from the floor.)³

Section 3. Special Meetings. Special meetings of the members may be called at any time by action of the Board of Trustees, and must be called whenever written request therefor signed by three trustees or by 5% of the members shall be presented to the Board of Trustees.

Section 4. Notice of Meetings. At least five days before each regular or special meeting, notices of such meetings shall be posted conspicuously in each place of business of the corporation, and notice shall be mailed to the address of each member of record on the books of the corporation. In case of special meetings, the notice in addition to indicating the time and place of the meeting, shall state the business to come before it and no other business can be acted upon at such special meeting.

Section 5. Quorum. A quorum competent to transact business shall consist of not fewer than 15 fully paid members.

Section 6. Voting Rights. Only fully paid members shall be entitled to vote and to hold office. Each such member shall have but one vote. No member shall be entitled to vote by proxy (but a member other than a natural person may vote through an agent designated in writing for that purpose.)⁴

Section 7. Method of Voting. Election of trustees shall be by ballot. Action on all other matters shall be as the chairman shall direct; except that in any question of doubt any member may call for a rising vote, and that the meeting may vote to put any question to the ballot.

Note 3: Many associations will find the ordinary method of nominations from the floor sufficient for their needs, so will omit the material in parentheses.

Note 4: Material in parentheses not needed unless the association has other associations as members.

ARTICLE VIII. OFFICERS

Section 1. Trustees. The management of the corporation shall be vested in a Board of Trustees of (eleven) members.⁵

Section 2. Terms of Office. At the annual meeting after the adoption of these regulations, the members shall elect (eleven) trustees, (four) of whom shall be elected for a term of one year, (four) for a term of two years, and (three) for a term of three years. Thereafter the term of office of each trustee shall be three years.

Section 3. Vacancies. Vacancies in the Board of Trustees shall be filled by the remaining members of the Board. A trustee so elected shall hold office until the next annual meeting when an election shall be held to fill the vacancy for the remainder of the unexpired term, if any.

Section 4. Meetings of the Board. The Board of Trustees shall have monthly meetings, at such regular date as they shall prescribe. They shall meet in special session at the call of the president, or upon the request of any three members of the board.

Section 5. Disqualification of Trustees or other Employees. No trustee or employee of the corporation shall participate in the profits of any enterprise which does business with or competes with this corporation. All proposals for the payment of salaries to any member of the Board of Trustees or for any change in such compensation must be approved by the members. Absence of any trustee from regular meetings of the board for three consecutive months, or failure to perform the duties devolving upon him as trustee, shall forfeit his office.

Section 6. Officers of the Board of Trustees. The Board of Trustees shall hold a special meeting within seven days after the annual meeting at which they shall elect from their number a president, a vice-president, a secretary and a treasurer, who shall constitute the executive committee. The executive committee shall act for the board and perform in the interim between meetings such duties as the board may assign to it.

Section 7. Duties of the Trustees. All the capacity of the corporation shall be vested in and all its power and authority except as otherwise provided in the law or in the articles of incorporation shall be exercised by the board of trustees which shall manage and conduct the business of the corporation.

Section 8. Auditing Committee. The members shall elect at the annual meeting an auditing committee of three members not members of the board of trustees, and may at any time provide for the appointment of special committees. Vacancies on the auditing committee shall be filled by the remaining members of the committee until the next annual meeting.

Section 9. Bonds. The treasurer, manager, or other officers or employees, having the custody of the funds or goods, shall each give bond with corporate surety sufficient to insure the corporation against possible loss.

Section 10. Recall. Any trustee or employee of this corporation may be removed from office by the affirmative vote of two-thirds of the members present at a special meeting called for the purpose. The person sought to be removed shall be given due notice and an opportunity to be heard.

ARTICLE IX. AMENDMENTS

Section 1. For the alteration of these rules by amendment, repeal, elimination, or addition, a two-thirds vote of the members voting shall be necessary. Notice of the proposed changes shall have been published to the members at least five days before the meeting.

Note 5: Each association should determine the number of trustees for itself; seven or nine are suggested unless the association has a very large membership.